

Message Text

CONFIDENTIAL

PAGE 01 CARACA 03871 120507Z

62

ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

L-02 H-02 FEA-01 OES-03 PRS-01 /081 W

----- 108401

R 111659Z APR 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 8341

C O N F I D E N T I A L CARACAS 3871

E.O. 11652: N/A

TAGS: EFIN, VE

SUBJ: VENEZUELA'S BALANCE OF PAYMENTS 1974-80

REF: CIA OFFICE OF ECONOMIC RESEARCH REPORT "VENEZUELA'S
CURRENT ACCOUNT, 1974-80"

1. IN RESPONSE TO DEPARTMENT'S REQUEST FOR COMMENTS ON
REFERENCED REPORT, EMBASSY SUBMITS FOLLOWING OBSERVATIONS:

2. WHILE THERE IS LIKELY TO BE SOME DETERIORATION IN CURRENT
ACCOUNT OVER NEXT SIX YEARS, EMBASSY BELIEVES GOVERNMENT WILL
TAKE MEASURES TO PREVENT CURRENT ACCOUNT FROM
BECOMING A SIGNIFICANT DEFICIT. NEVERTHELESS, SOME DETERIORATION
IN THE OVERALL BALANCE IS LIKELY TO TAKE PLACE WHICH WOULD PLACE
CONSTRAINTS ON VENEZUELA'S ABILITY TO SUPPORT SUBSTANTIAL
FOREIGN AID.

3. THE DECLINE IN THE VALUE OF PETROLEUM EXPORTS PROJECTED BUT
THE REFERENCE REPORT ASSUMES DECLINING PRODUCTION AND NO
IMPROVEMENT IN PRICE. FOR EXAMPLE, THE REPORT ASSUMES AN AVERAGE
DAILY PRODUCTION OF 2.4 BILLION BARRELS PER DAY, WHILE THE
LATEST ANNUAL REPORT RELEASED BY THE MINISTRY OF MINES AND
HYDROCARBONS ASSUMES 2.6 MILLION B/D. WHILE THE GOVERNMENT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CARACA 03871 120507Z

HAS ADOPTED A CONSERVATION POLICY WITH REGARD TO PETROLEUM AS

LONG AS THERE IS AN EXCESS OF REVENUE FROM THAT SOURCE, IT WOULD LIKELY TRY TO INCREASE PRODUCTION IF IT FELT IT NECESSARY TO MAINTAIN A SUFFICIENT LEVEL OF REVENUE. NEW WELLS ARE CONTINUING TO BE DRILLED WHICH MAY ENABLE VENEZUELA TO INCREASE OUTPUT IF DESIRED OR AT LEAST MAINTAIN CURRENT LEVELS OF PRODUCTION. THE VOLUME OF OIL AND THE PRICE AT WHICH IT IS SOLD OF COURSE ARE EXOGENOUS FACTORS DETERMINED BY THE WORLD PETROLEUM MARKET. THE EMBASSY THEREFORE FEELS THAT THERE IS INSUFFICIENT BASIS TO ASSUME A PROGRESSIVE DECLINE IN PETROLEUM REVENUE.

4. WITH REGARD TO NON-OIL EXPORTS, THE REPORT MAY BE TOO OPTIMISTIC ABOUT THE RATE OF INCREASE IN FOREIGN EXCHANGE EARNINGS FROM EXPORTS OF THE LARGE GOVERNMENT OWNED PETROCHEMICAL, STEEL AND ALUMINUM COMPLEXES. THE EXPERIENCE OF GOVERNMENT ENTERPRISES THUS FAR IN VENEZUELA, PARTICULARLY IN THE PETROCHEMICAL FIELD, DOES NOT PROVIDE A BASIS FOR OPTIMISM REGARDING A RAPID EXPANSION OF EXPORTS.

5. ON THE IMPORT SIDE THE GOVERNMENT IS NOT LIKELY TO ALLOW IMPORTS TO GROW AT THE LEVEL PROJECTED IN THE REPORT. THE GOVERNMENT IS ALREADY VERY CONCERNED ABOUT THE RAPID GROWTH OF IMPORTS, ESPECIALLY LUXURY ITEMS, AND IS TAKING MEASURES TO STEM THE TIDE. FOR EXAMPLE, THE AD VALOREM DUTY ON AUTOMOBILE IMPORTS HAS BEEN RAISED TO 350 PERCENT. OF COURSE, THE DEVELOPMENT OF THE BASIC INDUSTRIES WILL CAUSE AN INEVITABLE INCREASE IN CERTAIN TYPES OF CAPITAL GOODS IMPORTS OVER THE NEXT SEVERAL YEARS.

6. WITH REGARD TO THE SERVICE ACCOUNT THE EMBASSY BELIEVES THAT IT WILL CONTINUE TO BE A NEGATIVE FACTOR IN THE CURRENT ACCOUNT BUT DOES NOT EXPECT A PROGRESSIVE DETERIORATION PARTICULARLY WITH REGARD TO THE MAJOR ITEMS OF FREIGHT AND INSURANCE. IF THE ANNOUNCED PLANS OF THE GOVERNMENT ARE SUCCESSFUL IN ESTABLISHING A NATIONAL MERCHANT FLEET AND IN REQUIRING A GREATER PERCENTAGE OF GOODS TRADED TO BE CARRIED ON VENEZUELAN SHIPS, FREIGHT COSTS COULD BECOME A POSITIVE ITEMS IN THE SERVICE ACCOUNT. LIKEWISE, THERE ARE INDICATIONS THAT THE GOVERNMENT MAY REQUIRE MORE INSURANCE BUSINESS TO BE HANDLED BY VENEZUELAN FIRMS.

7. WHILE THE CAPITAL ACCOUNT HAS NOT BEEN CONSIDERED BY THE REPORT, CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CARACA 03871 120507Z

IT SHOULD BE NOTED THAT A CONSIDERABLE AMOUNT OF VENEZUELA'S OIL REVENUE IS BEING PLACED IN THE VENEZUELA INVESTMENT FUND, WHICH THUS FAR HAS INVESTED MOST OF THESE FUNDS ABROAD AT COMMERCIAL RATES OF INTEREST. ALREADY INVESTMENTS FROM THE FUND HAVE EARNED ABOUT BS. 1 BILLION ACCORDING TO THE MINISTRY OF FINANCE. NATURALLY THE RETURNS FROM THIS GROWING INVESTMENT WILL BE CUMULATIVE AND WILL PROVIDE A SIGNIFICANT IF NOT COMPLETELY SUFFICIENT BUFFER FOR ANY DETERIORATION OF THE CURRENT

ACCOUNT.

8. IN SUM, THE EMBASSY BELIEVES THERE ARE TOO MANY UNPREDICTABLE
AND OFFSETTING FACTORS TO CATEGORICALLY CONCLUDE THAT VENEZUELA
WILL NOT BE IN A POSITION BY 1980 TO SUPPORT SUBSTANTIAL FOREIGN AID
FOR ANY PURPOSE.

ASENCIO

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BALANCE OF PAYMENTS, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CARACA03871
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Film Number: D750128-0632
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750459/aaaaccrk.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 12 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 SEP 2003 by ElyME>; APPROVED <23 SEP 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VENEZUELA'S BALANCE OF PAYMENTS 1974-80
TAGS: EFIN, ETRD, VE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006